

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2006

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Township of Posen	<b>County</b> Presque Isle
<b>Audit Date</b> March 31, 2006	<b>Opinion Date</b> July 25, 2006	<b>Date Accountant Report Submitted to State:</b> August 4, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
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<b>Accountant Signature</b> Campbell, Kusterer & Co., P.C.		<b>Zip</b> 48707	

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

July 25, 2006

To the Township Board  
Township of Posen  
Presque Isle County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Posen, Presque Isle County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Posen's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Posen, Presque Isle County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*, as of April 1, 2005.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Posen covers the Township's financial performance during the year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Overall total capital assets remained approximately the same.

Overall revenues were \$101,985.07 from governmental activities with a \$5,955.39 increase in net assets.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of the basic financial statements and required supplementary information.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole. The statement of net assets includes all the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

All of the activities of the Township are reported as governmental activities. These include the General Fund and Debt Service Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding of specific financial resources and to show proper expenditures of those resources.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

Our cash position in the governmental activities remains stable.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services with total expenditures of \$94,206.88.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$6,047.00 in capital assets.

The Township's governmental activities paid \$9,000.00 in principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income.

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended March 31, 2006

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Supervisor at 10813 Michigan Ave., Posen, MI 49776 or by phone at (989)766-2816.

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	187 736 58
Taxes receivable	<u>3 853 74</u>
Total Current Assets	<u>191 590 32</u>
NON-CURRENT ASSETS:	
Capital Assets	206 047 00
Less: Accumulated Depreciation	<u>(92 803 12)</u>
Total Non-current Assets	<u>113 243 88</u>
TOTAL ASSETS	<u><u>304 834 20</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES:	
Bonds payable	<u>65 000 00</u>
Total Non-current Liabilities	<u>65 000 00</u>
Total Liabilities	<u>65 000 00</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	48 243 88
Unrestricted	<u>191 590 32</u>
Total Net Assets	<u>239 834 20</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>304 834 20</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	5 765 86	-	(5 765 86)
General government	63 522 32	22 100 34	(41 421 98)
Public safety	15 300 16	-	(15 300 16)
Public works	3 202 30	-	(3 202 30)
Culture and recreation	4 539 04	-	(4 539 04)
Interest on long-term debt	3 700 00	-	(3 700 00)
Total Governmental Activities	<u>96 029 68</u>	<u>22 100 34</u>	<u>(73 929 34)</u>
General Revenues:			
Property taxes			29 456 32
State revenue sharing			45 653 00
Interest			1 630 48
Miscellaneous			<u>3 144 93</u>
Total General Revenues			<u>79 884 73</u>
Change in net assets			5 955 39
Net assets, beginning of year			<u>233 878 81</u>
Net Assets, End of Year			<u>239 834 20</u>

The accompanying notes are an integral part of these financial statements.



TOWNSHIP OF POSEN  
Presque Isle County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
March 31, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	171 891 27	12 910 60	184 801 87
Taxes receivable	2 697 58	1 156 16	3 853 74
Due from other funds	<u>2 934 71</u>	<u>-</u>	<u>2 934 71</u>
Total Assets	<u>177 523 56</u>	<u>14 066 76</u>	<u>191 590 32</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Unreserved:			
Undesignated	<u>177 523 56</u>	<u>14 066 76</u>	<u>191 590 32</u>
Total fund equity	<u>177 523 56</u>	<u>14 066 76</u>	<u>191 590 32</u>
Total Liabilities and Fund Equity	<u>177 523 56</u>	<u>14 066 76</u>	<u>191 590 32</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
March 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	191 590 32
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	206 047 00
Accumulated depreciation	(92 803 12)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds	<u>(65 000 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u>239 834 20</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended March 31, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Total</u>
Revenues:			
Property taxes	19 480 97	9 975 35	29 456 32
State revenue sharing	45 653 00	-	45 653 00
Charges for services – PTAF	4 930 34	-	4 930 34
Interest	1 475 77	154 71	1 630 48
Rents	17 170 00	-	17 170 00
Miscellaneous	<u>3 144 93</u>	<u>-</u>	<u>3 144 93</u>
Total revenues	<u>91 855 01</u>	<u>10 130 06</u>	<u>101 985 07</u>
Expenditures:			
Legislative:			
Township Board	5 765 86	-	5 765 86
General government:			
Supervisor	4 551 96	-	4 551 96
Elections	514 00	-	514 00
Assessor	3 380 00	-	3 380 00
Clerk	5 250 04	-	5 250 04
Board of Review	451 00	-	451 00
Treasurer	5 430 46	-	5 430 46
Building and grounds	30 774 65	-	30 774 65
Unallocated	9 000 41	-	9 000 41
Public safety:			
Fire protection	15 300 16	-	15 300 16
Public works:			
Highways and streets	2 000 00	-	2 000 00
Street lights	1 202 30	-	1 202 30
Culture and recreation:			
Recreation	4 539 04	-	4 539 04
Debt Service	-	12 700 00	12 700 00
Capital outlay	<u>6 047 00</u>	<u>-</u>	<u>6 047 00</u>
Total expenditures	<u>94 206 88</u>	<u>12 700 00</u>	<u>106 906 88</u>
Excess (deficiency) of revenues over expenditures	(2 351 87)	(2 569 94)	(4 921 81)
Fund balances, April 1	<u>179 875 43</u>	<u>16 636 70</u>	<u>196 512 13</u>
Fund Balances, March 31	<u><u>177 523 56</u></u>	<u><u>14 066 76</u></u>	<u><u>191 590 32</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended March 31, 2006

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (4 921 81)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(4 169 80)
Capital Outlay	6 047 00

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>9 000 00</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>5 955 39</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Posen, Presque Isle County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Posen. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Debt Service Fund

This fund is used to account for debt service payments on long-term debt.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2005 tax roll millage rate was 1.4763 mills, and the taxable value was \$19,923,039.00.

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	50 years
Equipment	10-30 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments* (GASB No. 34). Changes in the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$113,243.88.

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

**Note 2 – Budgets and Budgetary Accounting**

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

**Note 3 – Deposits and Investments**

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>189 693 05</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.



TOWNSHIP OF POSEN  
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

	<u>Bank Balances</u>
Insured (FDIC)	166 327 35
Uninsured and Uncollateralized	<u>23 365 70</u>
Total Deposits	<u><u>189 693 05</u></u>

The Township of Posen did not have any investments as of March 31, 2006.

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
<u>Governmental Activities:</u>				
Land	10 000 00	4 047 00	-	14 047 00
Buildings	185 000 00	-	-	185 000 00
Equipment	<u>5 000 00</u>	<u>2 000 00</u>	<u>-</u>	<u>7 000 00</u>
Total	200 000 00	6 047 00	-	206 047 00
Accumulated Depreciation	<u>(88 633 32)</u>	<u>(4 169 80)</u>	<u>-</u>	<u>(92 803 12)</u>
Net Capital Assets	<u><u>111 366 68</u></u>	<u><u>1 877 20</u></u>	<u><u>-</u></u>	<u><u>113 243 88</u></u>

**Note 5 – Pension Plan**

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2006, was \$2,841.68.

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 – Building Permits**

The Township of Posen does not issue building permits. Building permits are issued by the County of Presque Isle.

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS  
March 31, 2006

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>2 934 71</u>	Current Tax Collection	<u>2 934 71</u>
Total	<u>2 934 71</u>	Total	<u>2 934 71</u>

Note 10 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
Bonds payable	<u>74 000 00</u>	<u>-</u>	<u>9 000 00</u>	<u>65 000 00</u>
Totals	<u>74 000 00</u>	<u>-</u>	<u>9 000 00</u>	<u>65 000 00</u>

Note 11 – Bonds Payable

On August 2, 1982, the Township issued bonds in the amount of \$195,000.00 for the purpose of paying part of the cost of acquiring, renovating, furnishing, and equipping a Township hall. The bonds bear interest at the rate of 5% per annum, payable semiannually on April 1 and October 1 of each year. Bonds outstanding as of March 31, 2006 are as follows:

	<u>Due April 1</u>	<u>Interest Rate</u>	<u>Principal Amount</u>
2007		5.0	10 000 00
2008		5.0	10 000 00
2009		5.0	11 000 00
2010		5.0	11 000 00
2011		5.0	12 000 00
2012		5.0	<u>11 000 00</u>
Total			<u>65 000 00</u>

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	16 000 00	16 000 00	19 480 97	3 480 97
State revenue sharing	50 000 00	50 000 00	45 653 00	(4 347 00)
Charges for services:				
Tax collection fees	3 500 00	3 500 00	4 930 34	1 430 34
Interest	2 800 00	2 800 00	1 475 77	(1 324 23)
Rents	20 000 00	20 000 00	17 170 00	(2 830 00)
Miscellaneous	1 000 00	1 000 00	3 144 93	2 144 93
Total revenues	93 300 00	93 300 00	91 855 01	(1 444 99)
Expenditures:				
Legislative:				
Township Board	6 800 00	6 750 00	5 765 86	(984 14)
General government:				
Supervisor	4 600 00	5 500 00	4 551 96	(948 04)
Elections	1 985 00	1 985 00	514 00	(1 471 00)
Assessor	4 575 00	3 575 00	3 380 00	(195 00)
Clerk	5 260 00	5 600 00	5 250 04	(349 96)
Board of Review	1 000 00	1 000 00	451 00	(549 00)
Treasurer	6 070 00	5 950 00	5 430 46	(519 54)
Building and grounds	52 510 00	32 555 00	30 774 65	(1 780 35)
Unallocated	17 035 00	12 270 00	9 000 41	(3 269 59)
Public safety:				
Fire protection	16 000 00	16 000 00	15 300 16	(699 84)
Ambulance	3 800 00	9 000 00	-	(9 000 00)
Public works:				
Highways and streets	20 000 00	20 000 00	2 000 00	(18 000 00)
Street lighting	1 600 00	1 600 00	1 202 30	(397 70)
Culture and recreation:				
Recreation	1 500 00	5 000 00	4 539 04	(460 96)
Capital outlay	-	6 600 00	6 047 00	(553 00)
Total expenditures	142 735 00	133 385 00	94 206 88	(39 178 12)
Excess (deficiency) of revenues over expenditures	(49 435 00)	(40 085 00)	(2 351 87)	37 733 13
Fund balance, April 1	49 435 00	40 085 00	179 875 43	139 790 43
Fund Balance, March 31	-	-	177 523 56	177 523 56

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

BUDGETARY COMPARISON SCHEDULE –DEBT SERVICE FUND  
Year ended March 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	14 000 00	14 000 00	9 975 35	(4 024 65)
Interest	<u>300 00</u>	<u>300 00</u>	<u>154 71</u>	<u>(145 29)</u>
Total revenues	<u>14 300 00</u>	<u>14 3000 00</u>	<u>10 130 06</u>	<u>(4 169 94)</u>
Expenditures:				
Debt Service	<u>13 000 00</u>	<u>13 000 00</u>	<u>12 700 00</u>	<u>(300 00)</u>
Total expenditures	<u>13 000 00</u>	<u>13 000 00</u>	<u>12 700 00</u>	<u>(300 00)</u>
Excess (deficiency) of revenues over expenditures	1 300 00	1 300 00	(2 569 94)	(3 869 94)
Fund balance, April 1	<u>-</u>	<u>-</u>	<u>16 636 70</u>	<u>16 636 70</u>
Fund Balance, March 31	<u>1 300 00</u>	<u>1 300 00</u>	<u>14 066 76</u>	<u>12 766 76</u>

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2006

Township Board:	
Salaries and per diem	4 347 12
Supplies	1 418 74
	<u>5 765 86</u>
Supervisor:	
Salary	4 551 96
	<u>4 551 96</u>
Elections:	
Wages	514 00
	<u>514 00</u>
Assessor:	
Wages	3 345 00
Miscellaneous	35 00
	<u>3 380 00</u>
Clerk:	
Salary	5 150 04
Deputy	100 00
	<u>5 250 04</u>
Board of Review:	
Wages	451 00
	<u>451 00</u>
Treasurer:	
Salary	5 319 96
Deputy	110 50
	<u>5 430 46</u>
Building and grounds:	
Wages	3 296 00
Contracted services	5 156 37
Supplies	1 339 04
Insurance	7 513 00
Telephone	1 501 51
Utilities	10 771 81
Repairs and maintenance	778 17
Printing	418 75
	<u>30 774 65</u>
Unallocated:	
Pension plan	2 841 68
Mileage	157 08
Insurance	676 00
Payroll taxes	378 88
Data processing	3 206 97
Miscellaneous	1 739 80
	<u>9 000 41</u>
Fire protection:	
Contracted services	15 300 16
	<u>15 300 16</u>
Highways and streets:	
Repairs and maintenance	2 000 00
	<u>2 000 00</u>
Street lighting:	
Utilities	1 202 30
	<u>1 202 30</u>

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended March 31, 2006

Recreation:	
Recreation	<u>4 539 04</u>
Capital outlay	<u>6 047 00</u>
Total Expenditures	<u><u>94 206 88</u></u>

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
Year Ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>Assets</u>				
Cash in bank	<u>3 297 08</u>	<u>459 614 28</u>	<u>458 020 18</u>	<u>4 891 18</u>
Total Assets	<u>3 297 08</u>	<u>459 614 28</u>	<u>458 020 18</u>	<u>4 891 18</u>
<u>Liabilities</u>				
Due to other funds	<u>3 297 08</u>	<u>33 577 18</u>	<u>33 939 55</u>	<u>2 934 71</u>
Due to other units	<u>-</u>	<u>426 037 10</u>	<u>424 080 63</u>	<u>1 956 47</u>
Total Liabilities	<u>3 297 08</u>	<u>459 614 28</u>	<u>458 020 18</u>	<u>4 891 18</u>

TOWNSHIP OF POSEN  
Presque Isle County, Michigan

CURRENT TAX COLLECTION FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
Year Ended March 31, 2006

Cash on hand and in bank – beginning of year	<u>3 297 08</u>
Cash receipts:	
Property tax	<u>459 614 28</u>
Total cash receipts	<u>459 614 28</u>
Total beginning balance and cash receipts	<u>462 911 36</u>
Cash disbursements:	
Township General Fund	24 112 76
Township Debt Service Fund	9 826 79
Presque Isle County	285 115 84
Posen Area School District	138 897 03
Refunds	67 76
Total cash disbursements	<u>458 020 18</u>
Cash on Hand and in Bank – End of Year	<u>4 891 18</u>



# **CAMPBELL, KUSTERER & CO., P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**MARK J. CAMPBELL, CPA  
KENNETH P. KUSTERER, CPA**

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PO. BOX 686  
BAY CITY, MICHIGAN 48707**

**TEL (989) 894-1040  
FAX (989) 894-5494**

## **AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS**

July 25, 2006

To the Township Board  
Township of Posen  
Presque Isle County, Michigan

We have audited the financial statements of the Township of Posen for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES**

We conducted our audit of the financial statements of the Township of Posen in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Township of Posen  
Presque Isle County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **GASB 34 IMPLEMENTATION**

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2006. The implementation of this pronouncement for the Township of Posen began with the year ended March 31, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

To the Township Board  
Township of Posen  
Presque Isle County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants